THE AMERICAN MILLIONAIRE
A SOPHISTICATED APPROACH TO BUILDING WEALTH

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The Spousal IRA Opportunity

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Spousal IRA contributions offer a way for stay-at-home parents and other nonworking spouses to keep their retirement savings on track, and might also result in a larger current-year tax deduction.

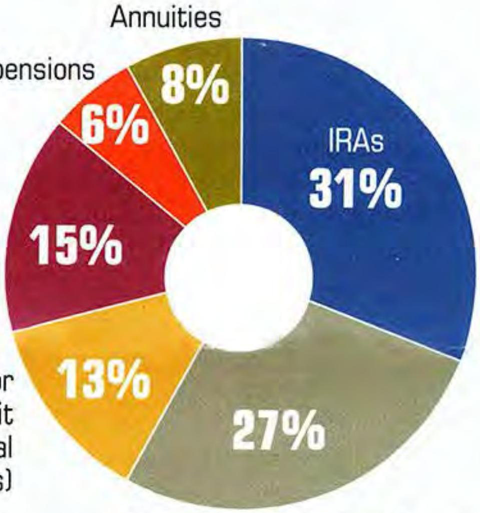
Long-Term Dutch Bond Shows Effects of Inflation

Yale University acquired a goatskin parchment that turned out to be a Dutch Water Authority bond from 1648. The bond pays out in perpetuity, and the agency still exists, so Yale stands to receive 136.20 euros or $153 in outstanding interest.

Source: Bloomberg Businessweek, September 16, 2015

IRAs Paving the Way to Retirement

IRAs make up the largest portion of U.S. retirement assets, which totaled $24.9 trillion at the end of the first quarter of 2015.



Source: Investment Company Institute, 2015

PLANNING, PROTECTING, PROVIDING

The Spousal IRA Opportunity

Couples Can Save More and Help Tame Taxes

Tax-friendly IRAs were devised as an incentive for workers to set aside money for retirement, so the maximum an individual can contribute annually is limited to the amount of his or her *earned* income. This limitation once left stay-at-home parents and other nonworking spouses without a way to keep their own retirement savings on track.

The spousal IRA rules were eventually changed to allow a working spouse to contribute to the IRA of a spouse who earns little or no income. This provision might benefit a couple when one spouse is working and the other is not, whether the nonworking spouse is a student, raising children, unemployed, or even retired.

When making spousal contributions, you have the same choice between the up-front tax deduction associated with a traditional IRA or tax-free withdrawals offered by a Roth IRA. Either way, there's still time to make IRA contributions for the 2015 tax year: The deadline is April 18, 2016 (a three-day delay from the usual deadline).

Marriage Perk

Contributing to the IRA of a nonworking spouse offers married couples a chance to double up on retirement savings and might also provide a larger tax deduction than contributing to a single IRA.

An individual with earned income can contribute up to $5,500 to his or her own IRA and up to $5,500 more to a spouse's IRA, as long as the couple's combined income exceeds both contributions and they file a joint tax return. An additional $1,000 catch-up contribution can be made for each spouse who is age 50 or older.

All other IRA eligibility rules must be met. So if a spousal contribution is made to a traditional IRA, the nonworking spouse must be under age 70½ in the year for which the contribution is made. There are no age limits for contributions to a Roth IRA.

Traditional IRA Deductibility

If neither spouse actively participates in an employer-sponsored retirement plan such as a 401(k), contributions to a traditional IRA are fully tax deductible. However, if one or both are active participants, federal income limits may affect the deductibility of contributions.

For married couples filing jointly, the ability to deduct contributions to the IRA of an active participant is phased out if their modified adjusted gross income (MAGI) is between $98,000 and $118,000. There are higher phaseout limits when the contribution is being made to the IRA of a nonparticipating spouse: MAGI between $183,000 and $193,000 in 2015 ($184,000–$194,000 in 2016). Thus, some participants in workplace plans who earn too much to deduct an IRA contribution for themselves may be able to make a deductible IRA contribution to the account of a nonparticipating spouse.

Traditional IRA withdrawals are taxed as ordinary income and may be subject to a 10% federal income tax penalty if withdrawn prior to age 59½, with certain exceptions as outlined by the IRS.

The Roth Option

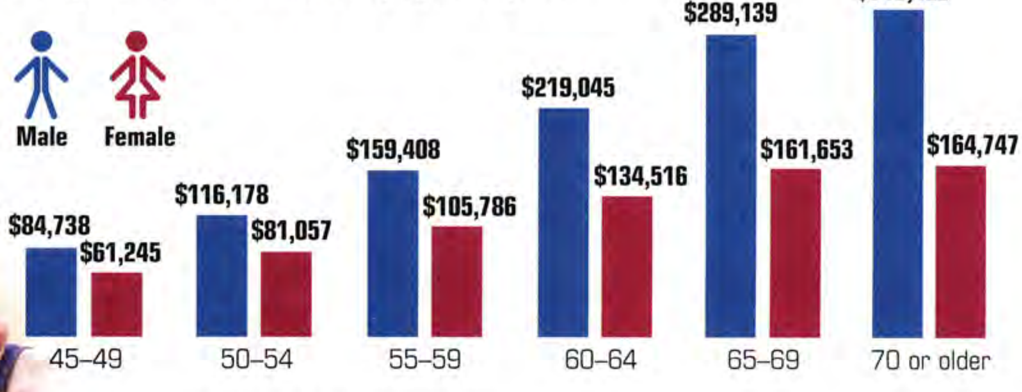
Eligibility to contribute to a Roth IRA phases out at higher modified AGI levels ($183,000–$193,000 for married couples filing jointly in 2015; $184,000–$194,000 in 2016).

Roth IRA *contributions* are made with after-tax funds, so they can be withdrawn without penalty at any time, for any reason. Withdrawals of earnings are also tax-free, regardless of how much growth the account experiences, if they meet the five-year holding requirement and take place after age 59½, or result from the owner's death or disability.

Annual required minimum distributions (RMDs) from traditional IRAs must begin for the year in which the account owner reaches age 70½. Original Roth IRA owners are not subject to RMDs.

IRA Imbalance

Average IRA balance in 2013, by age and gender



Source: Employee Benefit Research Institute, 2015

The Rise of Socially Conscious Investing Strategies

Can Public Companies Do Good and Deliver Returns?

The acronym SRI has come to represent various investment strategies that favor companies with business practices generally viewed as socially responsible, ethical, and/or sustainable. These buzzwords are often interchangeable, but investor interest in SRIs overall is gaining momentum.

In fact, U.S. assets invested according to SRI principles grew to \$6.57 trillion at the beginning of 2014 — up 76% from 2012 — and accounted for a significant share (18%) of professionally managed assets.[1]

Recent studies have shown that SRI stocks and mutual funds as a group tend to perform similarly to the broader stock market over the long term, even though performance may diverge over shorter periods. Over the past decade, SRI funds have returned 7.38% annually compared with 7.88% for the S&P 500 index.[2]

Of course, individual investors may have different opinions about which policies and practices have a positive or negative impact on society. As the number of SRI options continues to expand, so does the opportunity to build a portfolio that aligns with your personal values, as well as your asset allocation, risk tolerance, and time horizon.

Spotlight on Sustainability

Various services that provide research and ratings for investment analysis have begun to verify and publish environmental, social, and governance (ESG) data associated with publicly traded companies. Money managers who use SRI strategies often integrate ESG factors with traditional financial analysis. Some examples of ESG issues include pollution control, natural resource conservation, product safety, employee relations, respect for human rights, regulatory compliance, and public disclosure.

The heightened focus on corporate sustainability issues allows investors to compare how businesses in the same industry have adapted to meet social and environmental challenges, and provides some insight into which companies may be exposed to risks or have a competitive advantage. In some instances, good corporate citizenship may boost a company's public image and help create value, whereas poor decisions made for the sake of short-term results could cause more expensive damage in the future.

SRIs of All Stripes

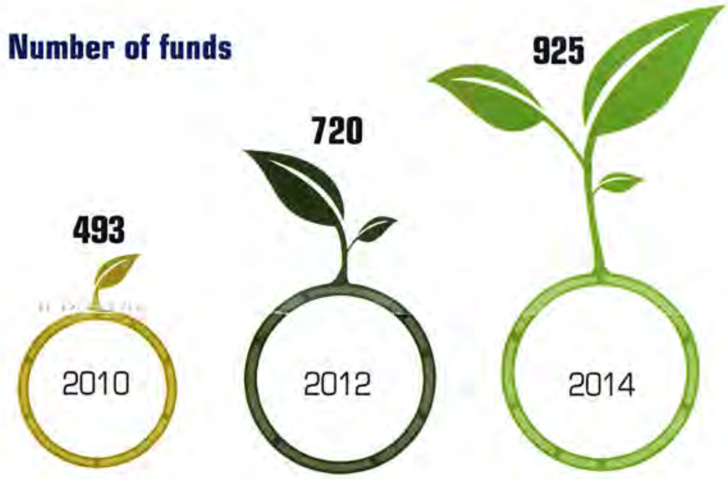
Screening is a common approach used to select or avoid investments in companies based on ESG concerns. For example, SRI asset managers may seek out companies with positive ESG ratings and/or exclude companies that engage in questionable employment practices, invest in countries with poor human rights records, or profit from undesirable products or services (e.g., tobacco, alcohol, gambling, weapons).

Many SRI mutual funds are broad based and diversified. Some are actively managed and others track a particular index with its own universe of SRI stocks. Specialty funds, however, may focus on a narrower theme such as clean energy; they can be more volatile and carry additional risks that may not be suitable for all investors. It's important to keep in mind that different SRI funds may focus on very different ESG criteria, and there is no guarantee that an SRI fund will achieve its objectives.

As with all stock investments, the return and principal value of SRI stocks and mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. The performance of an unmanaged index such as the S&P 500 is not indicative of the performance of any specific security. Individuals cannot invest directly in an index.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Investment Funds Incorporating ESG Factors



Source: The Forum for Sustainable and Responsible Investment, 2015

1) The Forum for Sustainable and Responsible Investment, 2015
2) *The Wall Street Journal*, July 17, 2015

YOUR BUSINESS

The Tax Treatment of Travel Expenses

If you schedule a business trip to a beautiful location that has some fun things to do and see, it often makes sense to pencil in some vacation days. For business owners and self-employed individuals, transportation costs to and from a domestic destination are 100% deductible, but only if the primary purpose of the trip is for business.

Here are some general guidelines for writing off travel expenses when business and vacation time overlap. As always, be sure to consult with your tax professional before you take any specific action.

Count the days. To demonstrate that a trip is primarily for business, the days dedicated to business must generally outnumber personal days. Any day when your time is spent mainly on business activities during normal working hours counts as a business day, but so do weekends and holidays that fall between business days. If you extend your stay over a weekend to take advantage of cheaper airfares, the extra days also count as business days.

Related expenses. You may also be able to deduct other ordinary and necessary expenses for the business days mentioned above, including lodging, hotel tips, 50% of meals, seminar and convention fees, and taxi fares. However, if you extend your stay or take a side trip for personal reasons, out-of-pocket expenses for leisure days are not deductible.

Travel expenses for family members who accompany you on a business trip are not deductible, unless they are your employees and had a justifiable business reason for going. Trips taken to conventions and seminars held at resort areas may be given very close scrutiny by the IRS, especially if you take family members with you. Be prepared to show how attendance at the event benefits your trade or business.

Many small-business owners find it difficult to take time away from their businesses

Small-business owners' vacation plans for 2015

Source: Entrepreneur.com, August 19, 2015

Foreign travel. The rules are similar for combined business-vacation trips outside the United States if the time spent abroad was less than a week (not counting the day you leave). However, for trips abroad lasting more than one week (not counting the day you left but counting the day you returned), you can deduct allowable costs only if less than 25% of your total time was spent on nonbusiness activities.

Documentation matters. Your written record should show the amount of each expense for items such as transportation, meals, and lodging. Include details such as departure and return dates, the number of business days, the name of the city, and the business reason for the travel. Be sure to keep documentation such as receipts and credit-card bills to back up your deductions.

The number and variety of available investments seem to grow every day. Our goal is to help you make sense of the choices so you can focus on pursuing your long-term objectives.

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